USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 8/31/2006

GAIN Report Number: AS6053

Australia

Cotton and Products

Quarterly Update

2006

Approved by:
Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:
Mike Darby, Agricultural Specialist

Report Highlights:
Lower prices combined with poorer water availability and low soil moisture levels have somewhat dampened the production outlook for cotton. Total cotton production for 2006/07 is forecast at 430,000 MT, down sharply on Post's previous forecast. Post anticipates yield at about 1.9 MT per hectare but has forecast planted area to fall dramatically to 225,000 hectares, over 100,000 hectares lower than both the previous forecast and the revised estimate for the previous year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
Canberra [AS1]
[AS]

SECTION ONE: SITUATION AND OUTLOOK

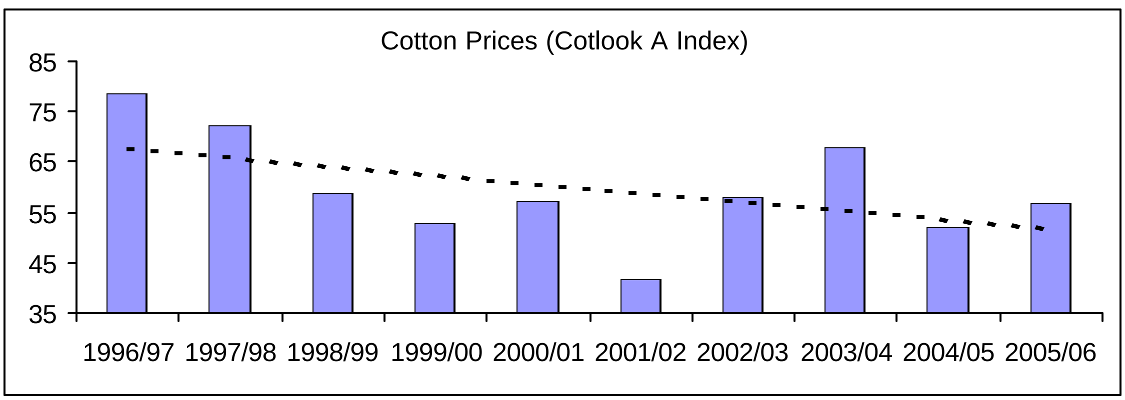
General

Planting of the 2006/07 cotton crop is expected to commence in September and will likely be completed in October. Although there is still time for planting conditions and prices to change prior to planting, industry sources suggest that ground preparation for planting is complete and sowing intentions are unlikely to change.

The first half of 2005/06 saw a resumption of normal weather conditions, following a prolonged drought period, which began in 2002/03. During this period, soil moisture levels improved and irrigation water storages in adjacent catchment areas began to recharge. More recently in the lead-up to the 2006/07 planting period however, the Australian continent has appeared to slide back into drought conditions with the Australian Bureau of Meteorology recently reporting that June 2006 recorded "some of the coldest and driest" conditions for decades. July and August have provided little relief from the dry conditions in June.

Recent media reports state that dry weather has sharply reduced the availability of irrigation water in catchment dams. In the eight major storage dams in the state of NSW for example, six dams are at 30 percent capacity or less, while two are at just over sixty percent.

World cotton prices fell sharply in August, despite being higher than year-earlier prices for the first quarter of the year. Lower prices combined with poorer water availability and low soil moisture levels have somewhat dampened the production outlook for cotton.

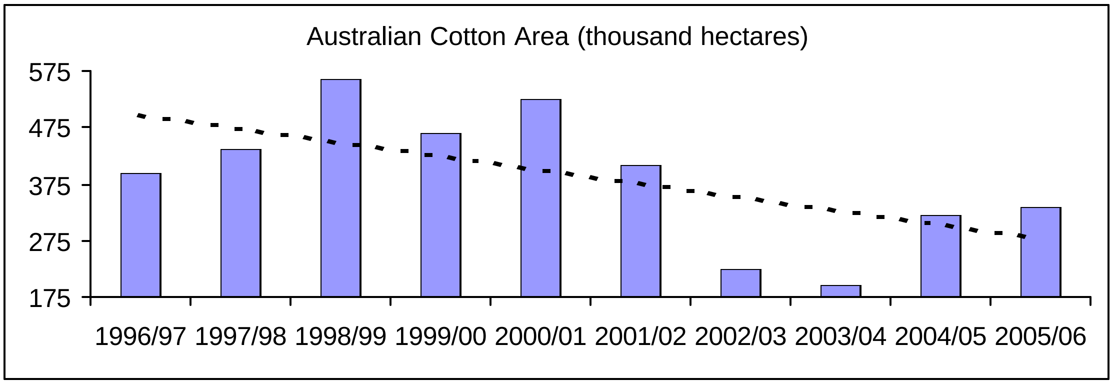


Source: ABARE Data (July/June)

Production

Total cotton production for 2006/07 is forecast at 430,000 MT, down sharply on Post's previous forecast. Post anticipates yield at about 1.9 MT per hectare but has forecast planted area to fall dramatically to 225,000 hectares, over 100,000 hectares lower than both the previous forecast and the revised estimate for the previous year. Post's previous forecast (GAIN report No. AS 6027), assumed average weather conditions from June through to September; instead drought conditions have recently been experienced.

Since June, continued dry conditions have seen soil moisture dissipate and irrigation water reserves dwindle. Media reports state that much of the irrigated cotton grown in 2006/07 will rely on "carry over" water from the 2005/06 season. Lower prices in the lead-up to planting may also see producers switch to other crops such as sorghum although Post anticipates this factor to be a lesser constraint on production.

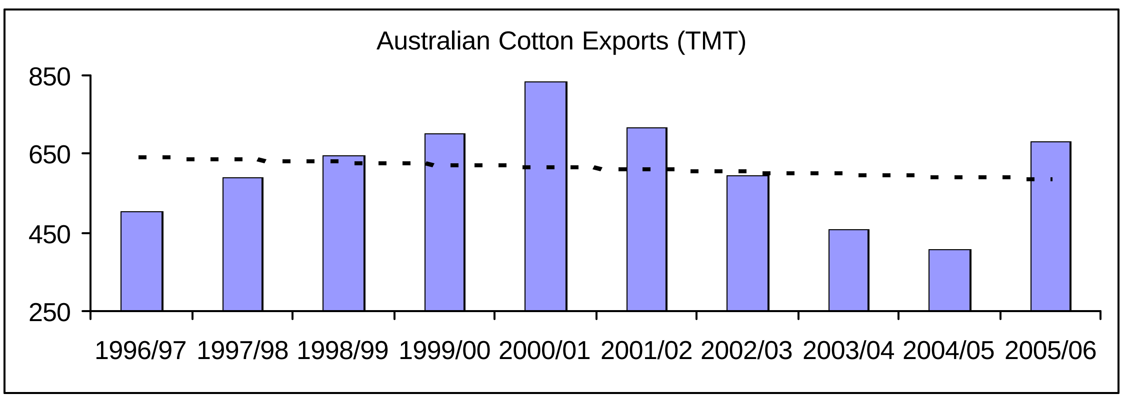


Source: ABARE Data (July/June)

Exports

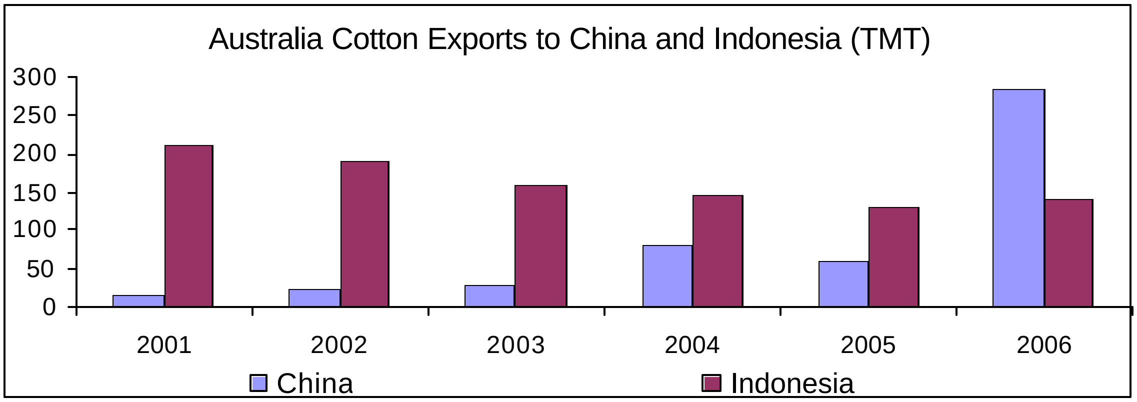
Cotton exports for 2006/07 are forecast at 558,000 MT, down significantly on Post's previous forecast and on the revised estimate for the previous year. Lower production is expected to drive exports down by nearly 100,000 MT.

The nature of Australian cotton processing and exporting requires much cotton to be carried over into the new marketing year for export. However, a smaller crop and relatively unchanged processing capacity will likely see more cotton exported in the same year it is harvested. As a result, Post has trimmed stock numbers substantially.



Source: ABARE Data (July/June)

Year-to-date (July/June) export figures show exports to Indonesia, Australia's largest traditional market, falling behind exports to China. Year-to-date data also shows other export markets such as Thailand growing strongly.



SECTION TWO: STATISTICAL TABLES

PSD Table

Cotton

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2004		08/2005		08/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	314000	321000	310000	336000	0	225000	(HECTARES)
Beginning Stocks	194648	196216	425220	408589	363168	360005	(MT)
Production	653180	645000	566089	600000	0	430000	(MT)
Imports	218	276	0	200	0	200	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	848046	841492	991309	1008789	363168	790205	(MT)
Exports	435889	435119	642293	651000	0	558000	(MT)
USE Dom. Consumption	14152	25000	13064	25000	0	25000	(MT)
Loss Dom. Consumption	-27216	-27216	-27216	-27216	0	-27216	(MT)
TOTAL Dom. Consumption	-13064	-2216	-14152	-2216	0	-2216	(MT)
Ending Stocks	425220	408589	363168	360005	0	234421	(MT)
TOTAL DISTRIBUTION	848045	841492	991309	1008789	0	790205	(MT)